

Before The
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2013-11

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-12 OF
PRESIDING OFFICER'S INFORMATION REQUEST NO. 18
(June 30, 2015)**

The United States Postal Service hereby provides its responses to Questions 1-12 of Presiding Officer's Information Request No. 18, dated June 22, 2015. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 30, 2015

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1. Please provide the FY 2015 Quarter 1 RPW Extract.

RESPONSE:

The requested file is provided under seal in USPS-R2013-11/NP5. Postal policy is to revise quarterly reports as part of FY2015 end-of-year reporting.

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2. Please refer to the Postal Service's responses to Presiding Officer's Information Request No. 17, May 15, 2015,¹ file "ExigSrchgRevSPEC-SERV(1Q15)Rev515.xlsx," tab "G-3 Certificates of Mailing," and question 12, where the Postal Service states that "[d]ividing the revenue reported in the RPW extract file by the volume reported in the RPW extract file frequently does not result in a value that equals the prevailing price, because of customers overpaying or underpaying for the service. Sometimes customers do not apply the correct postage or apply postage based on an outdated price list."
- a. Please confirm that the unit revenue for Firm Mailing Book is \$0.42 (revenue in cell C41 divided by the volume in cell D41).
 - b. Please confirm that customers underpaid by \$0.05 on average (compare with the R2013-11 price of \$0.47 in cell J10). If not confirmed, please explain.
 - c. Please confirm that the volume for Bulk in cell H12 should be derived by dividing the revenue from cell C42 by the R2013-11 price in cell J12, rather than dividing by the R2013-10 price in cell I12. If not confirmed, please explain.
 - d. Please confirm the unit revenue for Duplicate is \$1.47 (revenue in cell C43 divided by the volume in cell D43).
 - e. Please confirm that customers overpaid by \$0.17 on average (compare with the R2013-11 price of \$1.30 in cell J13). If not confirmed, please explain.

RESPONSE:

- a-b. Not confirmed. Volume was incorrectly reported. These data will be revised in RPW as part of FY2015 end-of-year reporting. Volume should be 1,569,454.
- c. Confirmed.

¹ Responses of the United States Postal Service to Questions 1-36 and 37 (A-E) of Presiding Officer's Information Request No. 17, May 15, 2015 (Responses to POIR No. 17).

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- d. Confirmed that cell C43 divided by cell D43 equals \$1.47.
- e. Not confirmed. Duplicate copies are priced per page, so a duplicate copy of one mailing with multiple pages will pay multiple fees. But the source data volume is based on one per mailing, so volume is understated. Revenue divided by volume (based on one per mailing) therefore will be greater than the duplicate copy fee. For the Exigent Surcharge report, a volume of 3,986 (revenue divided by price) should be used.

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- 3.** Please refer to the Responses to POIR No. 17, file "ExigSrchgRevSPEC-SERV(1Q15)Rev515.xlsx."
- a. Please revise tab "H-4 First Class Presort Permits" to reflect the Postal Service's response to question 19b.
 - b. Please revise tab "J-1-2-3 Other Income" to reflect the Postal Service's response to question 20b.
 - c. Please revise tab "AEC II" to reflect the Postal Service's response to question 33b.
 - d. Please revise tab "Z4 (ZIP 4) Change" to reflect the Postal Service's response to question 35b.
 - e. Please revise tab "NCOALink" to reflect the Postal Service's response to question 37.

RESPONSE:

- a. – c. and e. The revisions are made in the ExigSrchgRevSPEC-SERV(1Q15)Rev630.xlsx file filed with these responses.
- d. No revisions are made, because all of the data are correct in the tab. An incorrect base price was charged, but that error does not affect the exigent surcharge calculation.

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4. Please refer to the Responses to POIR No. 17, file "ExigSrchgRevSPEC-SERV(1Q15)Rev515.xlsx," tab "F-2 COD," and question 14, where the Postal Service states that "[t]he revenue reported in cell C34 is a summation of revenue reported in the RPW Extract file. The revenue in cell L27 equals the sum of the volumes reported in the RPW Extract file times the Docket No. R2013-11 prices. These values are not equal because of customers overpaying or underpaying for the service. Sometimes customers do not apply the correct postage or apply postage based on an outdated price list."
- a. Please confirm that the unit revenue for "Bulk COD" is \$10.05 (revenue in cell C27 divided by the transactions in cell C26). If not confirmed, please explain.
 - b. Please confirm that for the "Bulk COD" transactions, customers underpaid by an average of \$0.41 per transaction. If not confirmed, please explain. Please note that the unit revenue of \$10.05 is equivalent to the R2013-10 price for "Bulk COD" in cell H23 suggesting that this price may have been incorrectly used to derive the revenue in cell C27.

RESPONSE:

- a. Confirmed.
- b. Not Confirmed. The average unit price calculated for Bulk COD using the Docket No. R2013-11 prices is \$10.05, which should have been reported in cell I23. The price reported in cell H23 should have been derived by dividing the \$10.05 by 1.041 (1 plus the overall price increase for non-Bulk COD of 4.1%). The result for cell H23 is \$9.66. These corrections are shown in the ExigSrchgRevSPEC-SERV(1Q15)Rev630.xlsx file.

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5. Please refer to the Responses to POIR No. 17, file "ExigSrchgRevSPEC-SERV(1Q15)Rev515.xlsx," tab "F-12 Signature Confirmation," and question 28, where the Postal Service states that "[t]he revenues report[ed] in column D are directly from the RPW Extract file. The revenues reported in column M are the result of multiplying the RPW Extract file volumes times the Docket No. R2013-11 prices. These values are not equal because of customers overpaying or underpaying for the service. Sometimes customers do not apply the correct postage or apply postage based on an outdated price list."
- a. Please confirm that the unit revenue for "Electronic" is \$2.25 (revenue in cell D9 divided by the transactions in cell C9). If not confirmed, please explain.
 - b. Please confirm that customers underpaid by an average of \$0.10 per transaction. If not confirmed, please explain. Please note that the unit revenue of \$2.25 is equivalent to the R2013-10 price for "Electronic" in cell I10 suggesting that this price may have been incorrectly used to derive the revenue in cell D9.

RESPONSE:

a-b. Not Confirmed. The volume reported for electronic Signature Confirmation included the USPS volume, which has no revenue associated with it. These values have been corrected to exclude USPS volume, in the ExigSrchgRevSPEC-SERV(1Q15)Rev630.xlsx file. The resulting unit revenue is \$2.35.

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- 6.** Please refer to the Responses to POIR No. 17, question 16b, where the Postal Service states that "308 refunds of \$1.05 each were issued, reducing the revenue number (but not the volume number)." Please file revised workpapers showing a line item for refunds similar to the way refunds were accounted for in tabs "AIS Viewer" and "LACSLink."

RESPONSE:

The revision is made in the ExigSrchgRevSPEC-SERV(1Q15)Rev630.xlsx file.

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7. Please refer to the Responses to POIR No. 17, file "ExigSrchgRevSPEC-SERV(1Q15)Rev522.xlsx." Please provide revised workpapers consistent with the Postal Service's response to question 37, parts c and d.

RESPONSE:

The revisions are made in the ExigSrchgRevSPEC-SERV(1Q15)Rev630.xlsx file filed with these responses.

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8. Please refer to the Postal Service's Notice of May 15, 2015,² file "ExigSrchgRevSPEC-SERV(2Q15).xlsx," tab "F-3 Insurance."
- a. Please confirm that the volume total in cell F64 does not include the volume for MRS from cell F61. If confirmed, please explain.
 - b. Please reconcile the difference in R2013-11 prices between cells H61:H62 and the identically labeled tabs and cells in the Responses to POIR No. 17, file "ExigSrchgRevSPEC-SERV(1Q15)Rev515.xlsx."
 - c. Please reconcile the difference in revenue between cell C64 and cell K59.

RESPONSE:

- a. Confirmed. A formula error was made, but it does not affect the Exigent Surcharge revenue calculation.
- b. The average prices are derived separately each quarter because MRS insurance is reported as a single line item in the RPW Extract File. The average unit revenue in each quarter is dependent on the mailer behavior in that quarter. In a quarter when items are insured for less money on average, the average unit revenue will be lower, and when items are insured for greater amounts on average, the unit revenue will be greater.

- c. As noted in the response to POIR 17, Question 22(d):

The use of the FY 2014 volume distribution key for insurance levels greater than \$1,000 results in a volume distribution that prevents calculated revenue from exactly matching the revenue reported in the RPW for Quarter 1. As part of the development of the FY 2015 Annual Billing Determinants, a FY 2015 distribution key will be developed and it will be applied to the revised quarterly Billing Determinants at that

² Notice of the United States Postal Service of Filing Revenue Collection Report for Quarter 2 of Fiscal Year 2015, May 15, 2015 (Notice).

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time. Given that the quarterly Billing Determinants for FY 2015 are preliminary, the FY 2014 distribution key is used until that time.

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9. Please refer to the Notice, file "ExigSrchgRevSPEC-SERV(2Q15).xlsx."
- a. Please confirm that the volume in tab "F-5 Money Orders," cell 16 should be 54,360 (revenue from cell D16 divided by the R2013-11 price in cell I15). If not confirmed, please explain.
 - b. Please confirm that the volume in tab "H-1 PAL," cell G12 should be 787 (revenue from cell D14 divided by the R2013-11 price in cell I12). If not confirmed, please explain.

RESPONSE:

- a. Confirmed
- b. Not Confirmed. For Parcel Airlift (PAL), the Point of Service (POS) system does not provide full visibility into the volumes and revenues for each weight step. Instead, it provides total volume and revenue for all weight steps together. An algorithm imputes the totals for each of the weight steps, but differences between the imputed and actual volumes results in slight differences from published prices at the level of each weight step. The imputed volume in this case is 786, but 787 should be used for the Exigent Surcharge calculation.

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- 10.** Please refer to Responses to POIR No. 17, file "ExigSrchgRevSPEC-SERV(1Q15)Rev515.xlsx."
- a. Please confirm that in tab "F-6 Registered Mail," line item "MRS Registered" was omitted from the "Price and Revenue Increase Calculations" cells E6:L44. If not confirmed, please explain. If confirmed, please provide a rationale for the omission of "MRS Registered" from the "Price and Revenue Increase Calculations."
 - b. Please reconcile the value in tab "Exigent Surcharge Revenue," cell E65 with cell I33 in "International Market Dominant Products Billing Determinants FY 2015 Quarter 2," May 20, 2015, file "Q215_MKT_DOMINANT_INTL_BD.xls," tab "INTL FEES & SERVICES."

RESPONSE:

- a. Not Confirmed. The MRS Registered line is included in cells E6:L44.
- b. The question as posed, seeking a reconciliation between a number from Quarter 1 and a number from Quarter 2, is not amenable to response. But if the question is asking whether the discrepancy with regard to Quarter 1 acknowledged in response to Question 21(b) of POIR No. 17 (between cell D65 in the Exigent Surcharge Revenue tab and cell I33 in the Billing Determinants) also occurred in Quarter 2 in file "ExigSrchgRevSPEC-SERV(2Q15)Rev515.xlsx", the answer is no. However, we have determined that the volume reported in the billing determinants for International Certificate of Mailing, one certificate for up to 1000 pcs, should not have been used in the Exigent surcharge revenue calculation. The issue is that the price is for 1000 pieces, so the reported volume should not be used to determine revenue collected. Instead, the volume needs to be derived as follows:
$$\$2,375 \text{ (Revenue for Quarter 2)} / \$7.80 \text{ (price from R2013-11)} = \sim 304.$$
That volume then can be used in the International Exigent Surcharge calculation.

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- 11.** On May 20, 2015, the Postal Service filed FY 2015 Quarter 2 billing determinants for Bound Printed Matter in file "BPM_BDs_2015--Q2.xlsx." Tab "Presort Parcels BD Q2," cell H21 indicates that 519 pieces were shipped at Carrier Route Presort DNDC Zone 5 BPM Parcels prices. The data in the Notice, file "ExigSrchgRevPACK-SERV(2Q15).xlsx," tab "BPM Prcls Revs.@R2013-10 Prices," cell G66 and tab "BPM Prcls Revs.@R2013-11 Prices," cell G67 indicate that 0 pieces were shipped at Carrier Route Presort DNDC Zone 5 BPM Parcels prices. Please confirm that in file "ExigSrchgRevPACK-SERV(2Q15).xlsx," tab "BPM Prcls Revs.@R2013-10 Prices," cell G66 and tab "BPM Prcls Revs.@R2013-11 Prices," cell G67 should indicate that 519 pieces were shipped at Carrier Route Presort DNDC Zone 5 BPM Parcels prices. If confirmed, please provide revised workpapers. If not confirmed, please explain.

RESPONSE:

Confirmed. Please see ExigSrchgRevPKG-SERV(2Q15)Rev630.xlsx

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12. In the Notice, file "ExigSrchgRevPACK-SERV(2Q15).xlsx," tab "FY2015Q2 AR MM & LM BDs," the billing determinants reported do not match the billing determinants filed on May 20, 2015 in file "Media and Library Mail BDs Q2 2015." In addition, in both files, the total pounds reported for Media/Library Mail differ significantly from the RPW pounds reported. Please explain the discrepancy in billing determinants reported and reconcile the total pounds with the RPW pounds for Media/Library Mail in file "Media and Library Mail BDs Q2 2015" filed on May 20, 2015.

RESPONSE:

The Postal Service is filing, with this response, billing determinants for Media and Library Mail that update the incorrect version that was filed on May 20, 2015. These updated billing determinants match the billing determinants included in the Exigent Surcharge filing for Quarter 2, FY 2015 (May 15, 2015).

The Weight difference between RPW and the calculated weight provided in the billing determinants is due to methodological differences in estimating these two weight measures. RPW restates recorded weight. The billing determinants weight is calculated by distributing the RPW volume by weight step using the Special Weight report as a distribution key. The distributed volume is then multiplied by the corresponding weight for that that step and summed into the appropriate categories for reporting. Because of this methodological difference, the calculated weight does not match the RPW reported weight. The billing determinants weight is determined in order to calculate revenue. For example, a 2.1 pound piece appears in RPW as a 2.1 pound piece, but in billing determinants it appears as a three pound piece, because it pays the three-pound price.